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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING
Whether there has been a violation
of the Securities Act of Washington by:

MICHAEL B. MILLER,

Respondent.

Order No. S-03-204-04-FO01

ENTRY OF FINDINGS OF FACT AND
CONCLUSIONS OF LAW AND FINAL
ORDER TO CEASE AND DESIST AND
DENYING FUTURE REGISTRATION

THE STATE OF WASHINGTON TO: Michael B. Miller, CRD#4380898

INTRODUCTION

On July 19, 2004, the Securities Administrator of the State of Washington issued Summary Order to Cease and Desist and Notice of Intent to Deny Future Registration order number S-03-204-04-TO01, hereinafter referred to as the "Summary Order", against Respondent Michael B. Miller. The Summary Order, together with a Notice of Opportunity to Defend and Opportunity for Hearing (hereinafter referred to as "Notice of Opportunity for Hearing") and an Application for Adjudicative Hearing (hereinafter referred to as "Application for Hearing"), was served via certified mail on Michael B. Miller on July 20, 2004, and was personally served on Michael B. Miller on August 12, 2004. The Notice of Opportunity for Hearing advised Michael B. Miller that he had twenty days from the date he received the notice to file a written application for an adjudicative hearing on the Summary Order. The Summary Order further advised that if Michael B. Miller did not request a hearing, the Securities Administrator intended to adopt the Tentative Findings of

ENTRY OF FINDINGS OF FACT AND CONCLUSIONS OF
LAW AND FINAL ORDER TO CEASE AND DESIST AND
DENYING FUTURE REGISTRATION

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**DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
PO Box 9033
Olympia, WA 98507-9033
360-902-8760**

Fact and Conclusions of Law set forth in the Summary Order as final and deny Michael B. Miller's future registration.

Michael B. Miller failed to request an adjudicative hearing within twenty days of his receipt of the Statement of Charges and Notice of Opportunity for Hearing, either on the Application for Hearing provided or otherwise.

The Securities Administrator therefore adopts as final the findings of fact and conclusions of law as set forth in the Summary Order. The Securities Administrator finds as follows:

FINDINGS OF FACT

Respondent

1. Michael B. Miller ("Miller") was registered with the state of Washington as a securities salesperson for World Group Securities, Inc. from May 22, 2003 until November 11, 2003. Miller was also registered with the state of Washington as a securities salesperson for Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") from October 2002 to April 2003, and for WMA Securities, Inc. from October 2001 to April 2001. His last known residence was located in Lacey, Washington.

Nature of the Conduct

2. Hedy H.¹ and her husband Roy H., opened an account at Merrill Lynch in December 2002. Miller acted as their Merrill Lynch financial advisor. Hedy and Roy learned of Miller from their son Dennis H., who in turn had recently been referred to Miller. Hedy and Roy were elderly residents of Olympia, Washington. Hedy and Roy's net worth, including the equity in their home, was less than \$200,000. Their annual income was less than \$30,000, and consisted of their social security benefits and

¹ The person's full name is omitted to protect her privacy.

Roy's pension. Hedy was a homemaker most of her adult life, had no investment experience, and relied on Roy to manage their finances during their marriage.

3. Roy died on January 7, 2003. Shortly thereafter, Miller informed Hedy and Dennis that Roy owed Miller \$100,000. Miller told Hedy and Dennis that the debt could be satisfied if Hedy would agree to sell her home to Miller. In fact, Roy did not owe Miller \$100,000 at the time of Roy's death. Hedy and Dennis, having placed their trust and confidence in Miller as Hedy's financial advisor, believed the debt existed and that Miller was acting in Hedy's best interest. As a result, they followed several recommendations made by Miller over the course of the next several months.

4. On or about February 3, 2003, an "Agreement to Sell Real Estate" was signed by Miller, Hedy, and Dennis. The agreement listed a sale price of \$54,500 to be paid by Miller. On or about February 5, 2003, a "Statement of sale" for Hedy's property was signed by Miller, Hedy, and Dennis. In that document, it stated that Hedy is selling Miller her house for \$54,500, "because she said that she doesn't want to worry about land tax, or home owner's insurance." Miller never paid Hedy \$54,500.

5. On or about February 11, 2003, Hedy and Miller signed a Quit Claim Deed conveying the Hedy's property to Miller. In the deed, the consideration for granting the property to Miller is stated as "love and affection." Hedy continued to reside in the home.

6. On or about February 11, 2003, Miller recommended that Hedy liquidate a certificate of deposit, which was being held at another financial institution. Upon the further recommendation of Miller, the proceeds of this liquidation along with the remaining funds in Hedy's bank account were withdrawn and converted into a cashier's check for \$47,857.34. On or about February 11, 2003, this cashier's check was deposited into Hedy's Merrill Lynch account. By virtue of his control over both her

1 Merrill Lynch account and her home, Miller now controlled virtually all of Hedy's assets. Hedy's only
2 remaining asset of any significant value consisted of a checking account worth less than \$3,000.

3 7. On or about February 12, 2003, Hedy and her son Dennis opened an account at the
4 Washington State Employees Credit Union ("WSECU"), where Miller had his own accounts. To meet
5 the membership eligibility requirement, Miller instructed Hedy to falsely state in the new account
6 documents that Miller was her son-in-law.

7 8. On or about February 24, 2003, Miller encumbered Hedy's property by taking out a
8 mortgage on the property. On or about March 12, 2003, Miller further encumbered the property by
9 refinancing the existing mortgage for a total debt of approximately \$107,688.00. Miller used only
10 \$54,008.33 of the mortgage loan proceeds to pay off Hedy's pre-existing mortgage on the property.

11 9. On or about February 25, 2003, a "Residential Lease" was signed by Miller, Hedy, and
12 Dennis. In this document, Hedy agreed to pay Miller \$750.00 per month to live in her home. On or
13 about March 14, 2003, Hedy paid Miller rent of \$750.00. On or about April 4, 2003, Hedy paid Miller
14 rent of \$750.00.

15 10. On or about April 14, 2003, Miller told Hedy that, if she paid \$55,000, she could live in the
16 home the rest of her life. On or about April 15, 2003, a "Paid up lease" was signed by Miller, Hedy, and
17 Dennis. The lease states that for a lump sum of \$55,000.00, Hedy shall receive free rent for the duration
18 of her life.

19 11. On or about April 14, 2003, at Miller's instruction, Hedy sold her existing securities
20 holdings in her Merrill Lynch account, generating proceeds of \$56,160.68. Miller then instructed Hedy
21 to wire transfer the entire account, worth \$59,872.54, to her WSECU account. After making the transfer,
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Hedy obtained a cashier's check in the amount of \$55,000 drawn from her WSECU account, and gave the check to Miller as payment for the "Paid up lease."

12. On May 28, 2004, Miller was charged with three counts of first-degree theft and three counts of second-degree theft in Thurston County Superior Court in connection with the conduct described above.

Based upon the above Findings of Fact, the following Conclusions of Law are made:

CONCLUSIONS OF LAW

1. The offer and/or sale of the investments described above constitutes the offer and/or sale of a security as defined in RCW 21.20.005(10) and (12).

2. The offer and/or sale of said securities was made in violation of RCW 21.20.010 because, as set forth above in paragraphs two through twelve of the Findings of Fact, Michael B. Miller employed a device, scheme, or artifice to defraud Hedy. Such practice is grounds for the denial of registrations pursuant to RCW 21.20.110(1)(b).

3. Michael B. Miller, as set forth above in paragraphs two through twelve of the Tentative Findings of Fact, engaged in one or more dishonest and unethical practices in the securities business in violation of RCW 21.20.110(1)(g) and WAC 460-22B-090, by taking and using for his own benefit funds entrusted to him by virtue of his position as a securities salesperson. Such practice is grounds for the denial of registrations pursuant to RCW 21.20.110(1)(g).

FINAL ORDER

Based upon foregoing, NOW, THEREFORE, IT IS HEREBY ORDERED that Michael B. Miller cease and desist from violating RCW 21.20.010, the anti-fraud section of the Securities Act.

1 IT IS FURTHER ORDERED that Michael B. Miller shall be permanently denied registration as a
2 securities salesperson, broker-dealer, investment adviser, or investment adviser representative in the State of
3 Washington.

4 **AUTHORITY AND PROCEDURE**

5 This Order is entered pursuant to the provisions of RCW 21.20.110 and 21.20.390, and is subject
6 to the provisions of RCW 21.20.120 and Chapter 34.05 RCW.

7 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

8 DATED and ENTERED this 17th day of September, 2004.

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10 
11 MICHAEL E. STEVENSON
12 Securities Administrator

13 Approved by:

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Martin Cordell
17 Chief of Enforcement

18 Presented by:

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Chad C. Standifer
22 Staff Attorney